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Before the  
Federal Communications Commission  
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Federal-State Joint Board )  
on Universal Service )  
 )  
Phase-Down of Hold-Harmless )  
Provisions )

CC Docket No. 96-45 /

COMMENTS

The Telecommunications Regulatory Board of Puerto Rico ("the Board"), by its attorneys, hereby submits its Comments on the *Recommended Decision* of the Federal-State Joint Board on Universal Service ("Joint Board") in the above-captioned proceeding.<sup>1</sup>

INTRODUCTION

The Board was established in 1996 by the Telecommunications Law of Puerto Rico, known as Law 213, to ensure, among others, "the availability of universal telecommunications services at affordable rates for all citizens of Puerto Rico"<sup>2</sup> The Board has regulatory authority over the Puerto Rico Telephone Company ("PRTC") and is tasked with assuring the protection of consumers.

The *Recommended Decision* proposes a method for phasing down the transitional "hold harmless" provisions of the new universal service support mechanisms. As is clear from the *Recommended Decision*, the consumers of Puerto Rico, because of the levels of support historically given to PRTC, have been significant beneficiaries of the federal universal service policies. Nevertheless, the Board recognizes the transitional nature of the "hold-harmless" provisions and fully supports the recommendations of the Joint Board.

<sup>1</sup> *Federal-State Joint Board on Universal Service, Recommended Decision*, CC Docket 96-45, FCC 00J-1, released June 30, 2000 (*Recommended Decision*).

<sup>2</sup> Puerto Rico Telecommunications Act of 1996, Statement of Motives, June 30, 1996.

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## THE JOINT BOARD RECOMMENDATION AND COMMENTS

Since the passage of both the Telecommunications Act of 1996 and Law 213, it has been clear that revisions to universal service support mechanisms would be necessary in order to make support “explicit, portable and competitively neutral”.<sup>3</sup> In the 1999 *Ninth Report and Order* the Federal Communications Commission (“FCC” or “Commission”) established a new high cost universal service support mechanism for non-rural carriers based on a forward-looking economic cost model.<sup>4</sup> The Commission recognized that the new mechanism might have a negative impact in some high cost areas, potentially causing rate shock as a result of “sudden, significant increases in rates during the shift to forward-looking support.”<sup>5</sup>

In order to protect consumers against such rate shock, the *Ninth Report and Order* held steady the amount of high cost support provided to certain non-rural carriers. But the Commission emphasized that these “hold-harmless” provisions were *transitional*; that is, they would eventually be eliminated.<sup>6</sup> The Commission tasked the Joint Board with recommending a way to eliminate or phase down the hold-harmless support without causing undue rate disruption.

### **Long Term Support**

The Joint Board’s *Recommended Decision* consists of two parts. First, with regard to Long Term Support (“LTS”), the Joint Board recommends that LTS be continued under the current rules, with no immediate phase-down. LTS ensures comparability of access rates among Local Exchange Carriers (“LECs”) by reducing the Carrier Common Line (“CCL”) charges for National Exchange Carrier Association (“NECA”) common line pool participants. The Puerto Rico Telephone Company is, by far, the recipient of the most LTS, receiving \$89 million, or over 90% of the \$97 million in non-rural support estimated for 2000.

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<sup>3</sup> *Recommended Decision* at para. 5.

<sup>4</sup> *Federal-State Board on Universal Service*, CC Docket No. 96-45, *Ninth Report and Order and Eighteenth Order on Reconsideration*, 14 FCC Rcd 20432 (1999). (*Ninth Report and Order*). See also, *Forward Looking Mechanism for High Cost Support for Non-Rural LECs*, CC Docket Nos. 96-45 and 97-160, *Tenth Report and Order*, 14 FCC Rcd 20156 (1999).

<sup>5</sup> *Recommended Decision* at para 2.

<sup>6</sup> *Ninth Report and Order* at 20478.

The Joint Board recommended continuation of Long Term Support – for the time being – because it wisely recognized that there is no substitute for this support in the new, forward-looking high cost support mechanism adopted in the *Ninth Report and Order*. Until the impact of other pending proceedings is known, it is critical for Puerto Rico that LTS be preserved. The Board fully supports the Joint Board recommendation to maintain LTS under the current rules and at the current levels until we know how, and if, that support can be replaced without causing serious impact upon the rate payers of Puerto Rico.

The Joint Board identifies two pending proceedings as potentially impacting its future recommendations on LTS: the Commission's proceedings on universal service reform for rural carriers<sup>7</sup>, and the proceeding to reform the interstate access charge system for rate of return carriers<sup>8</sup>. We believe a third proceeding will also have a significant impact on LTS support, at least for Puerto Rico. The PRTC request for waiver mentioned in Footnote 19 of the Recommended Decision affects PRTC's eligibility for Long Term Support. Because of the acquisition of PRTC by GTE (now Verizon), PRTC is no longer eligible for treatment as a rate-of-return carrier, but must move to a price cap regulatory environment. As a price cap carrier, PRTC would no longer participate in the NECA common line pool and would not be eligible to receive LTS. The Commission has extended PRTC's eligibility until July 1, 2001 in order to have adequate time to address PRTC's request for waiver. The Board asks the Commission to expeditiously address the merits of the PRTC Petition.

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<sup>7</sup> See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, First Report and Order, 12 FCC Rcd 8776, 8889 (1997); See also *Federal-State Joint Board on Universal Service Announces the Creation of a Rural Task Force*, CC Docket 96-45, Public Notice, 12 FCC Rcd 15752 (1997).

<sup>8</sup> See *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate of Return Regulation*, CC Docket No. 98-77, Notice of Proposed Rulemaking, 13 FCC Rcd 14238 (1998).

### **High Loop Costs**

The second part of the *Recommended Decision* deals with phase-down of the per-line support for high loop cost study areas. At present Puerto Rico Telephone Company receives average monthly high cost support of \$12.06 for one study area and \$1.86 for the other.<sup>9</sup>

The Joint Board proposes a phase-down of the high loop cost support on a \$1 per line per year basis. In other words, in the case of one Study Area, the phase-down will take two years. In the PRTC Central Study Area, the phase-down will take 12 years.

The Board understands that the Joint Board has received comments urging a faster phase-down for Puerto Rico. The Board appreciates the implicit recognition by the Joint Board of the fact that a substantial period of time will be necessary before the elimination of high cost support in Puerto Rico. The Joint Board's *Recommended Decision* is both fair and sensitive.

The Board supports the *Recommended Decision*. Any rapid change or sudden elimination of federal support in Puerto Rico would likely entail a significant increase in customers' telephone bills. A rate increase, of the magnitude necessary if there were not a sufficiently long transition period, would be catastrophic when over 25% of the population presently does not have telephone service and where over 50% of the population lives in poverty.<sup>10</sup>

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<sup>9</sup> Puerto Rico contains two study areas. One study area, PRTC Central, consists of mountainous terrain and low teledensity. The other is urban or suburban and has relatively high teledensity. The Commission should bear in mind, however, that the overall telephone penetration in Puerto Rico is about 74%. *See* Exhibit A.

<sup>10</sup> According to the U.S. Census Bureau, in 1990 58.9% of the population of Puerto Rico lived below the poverty line. *See Statistical Abstract of the United States, Population and Household Profile*, U.S. Department of Commerce, 1999. Recent press reports in Puerto Rico estimate that the 2000 census will show a slight reduction of about 4% in the population living in poverty. *See Primera Hora*, July 24, 2000, at 3A.

## CONCLUSION

For the above reasons, the Telecommunications Regulatory Board of Puerto Rico supports the *Recommended Decision* of the Joint Board and urges its adoption by the Commission.

Respectfully submitted,

TELECOMMUNICATIONS REGULATORY  
BOARD OF PUERTO RICO

By \_\_\_\_\_  
Veronica M. Ahern

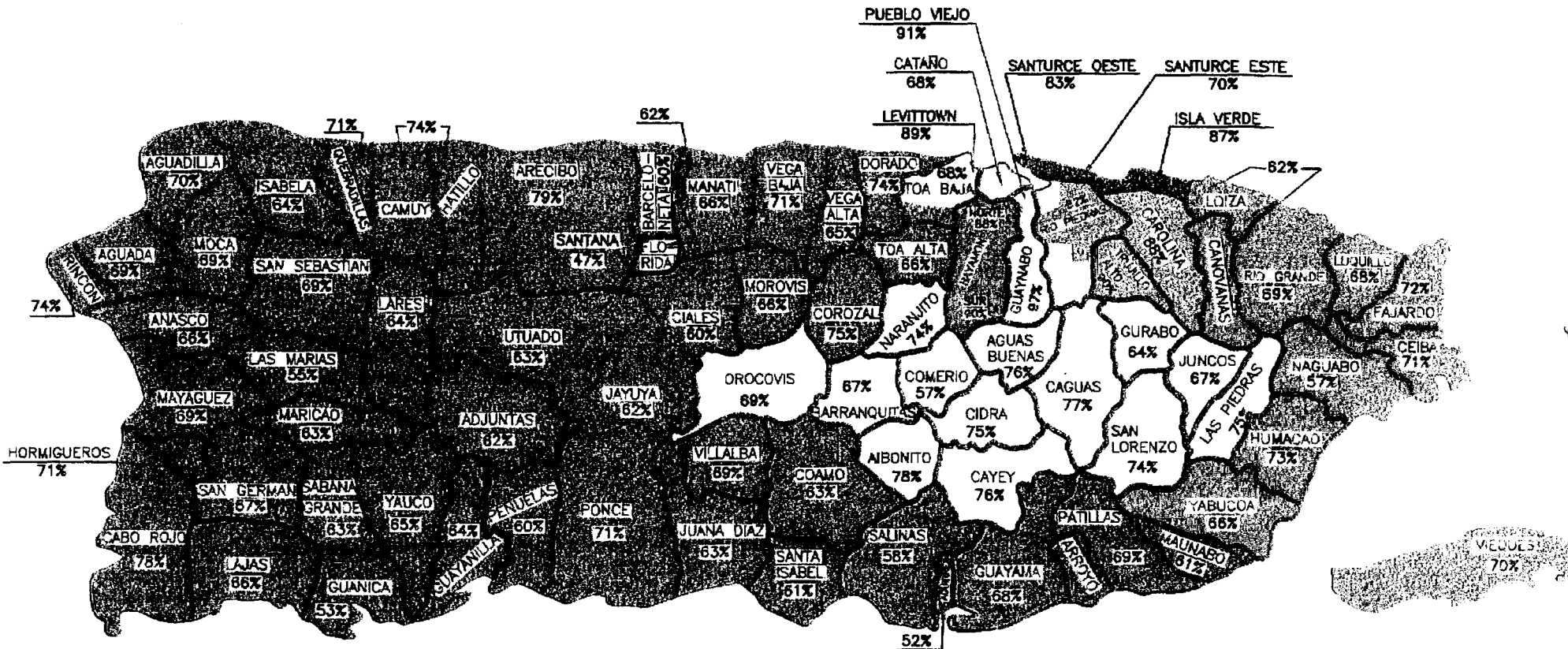
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Dated August 14, 2000



PERCENTAGE OF HOUSEHOLDS WITH A TELEPHONE DECEMBER 1999



LEGEND			
	METRO NORTH = 77%		ISLAND NORTH = 68%
	METRO SOUTH = 82%		ISLAND SOUTH = 66%
	METRO EAST = 89%		ISLAND EAST = 68%
	METRO WEST = 88%		ISLAND WEST = 68%
	METRO CENTRAL = 90%		ISLAND CENTRAL = 73%

TOTAL P.R.T.C. = 74.4%

PUERTO RICO

Departamento de Planificac  
Prepared por: Sr. L. Noguera  
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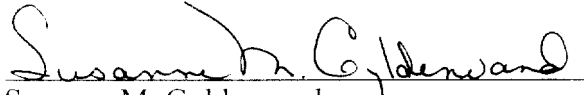
## CERTIFICATE OF SERVICE

I, Susanne M. Gyldenvand, certify that a copy of the foregoing Comments were served on the following by U.S. mail, first-class, postage prepaid, or by hand delivery to those so indicated with an asterisk (\*), on this 14<sup>th</sup> day of August, 2000:

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